



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

City of Walla Walla Housing Authority

Walla Walla County

For the period January 1, 2015 through December 31, 2015

Published June 27, 2016

Report No. 1016984





Washington State Auditor's Office

June 27, 2016

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Walla Walla Housing Authority's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Housing Authority's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Walla Walla Housing Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the business-type activities and the aggregate discretely presented component units in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Housing Authority.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Housing Authority's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.871	Section 8 Housing Choice Vouchers
64.024	VA Homeless Providers Grant and Per Diem Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Housing Authority did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Walla Walla Housing Authority Walla Walla County January 1, 2015 through December 31, 2015

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Walla Walla Housing Authority. The State Auditor's Office has reviewed the status as presented by the Housing Authority.

Audit Period: 1/1/14 – 12/31/14	Report Ref. No.: 1014629	Finding Ref. No.: 2014-001	CFDA Number(s): 64.024
Federal Program Name and Granting Agency: VA Homeless Providers Grant and Per Diem Program. U.S. Department of Veterans Affairs		Pass-Through Agency Name: NA	
Finding Caption: The Housing Authority's internal controls are inadequate to ensure compliance with federal procurement requirements.			
Background: The Housing Authority paid one vendor \$253,989 and did not comply with procurement requirements.			
Status of Corrective Action: <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>WWHA has implemented additional training and review to assure that the files are properly documented regarding the federal procurement requirement procedures followed for each contract.</i>			

Audit Period: 1/1/14-12/31/14	Report Ref. No.: 1014629	Finding Ref. No.: 2014-002	CFDA Number(s): 64.024
Federal Program Name and Granting Agency: VA Homeless Providers Grant and Per Diem Program. U.S. Department of Veterans Affairs		Pass-Through Agency Name: NA	
Finding Caption: Walla Walla Housing Authority did not comply with federal allowable cost requirements for its Veterans Affairs Homeless Providers Grant and Per Diem Program.			

Background:

\$11,540 of unallowable expenses were charged to the grant.

Status of Corrective Action:

☒ Fully Corrected ☐ Partially Corrected ☐ No Corrective Action Taken ☐ Finding is considered no longer valid

Corrective Action Taken:

Beginning with the 2015 grant year, WWHA no longer includes loan principal and interest as part of the grant expenses on the SF-425 for the VA grant 96-036-WA.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2015 through December 31, 2015**

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, Walla Walla County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated June 20, 2016. As discussed in Note 8 to the financial statements, during the year ended December 31, 2015, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our report includes a reference to other auditors who audited the financial statements of the Lariat Housing LLLP, Galbraith Gardens LLC, the Marcus Whitman Homes Limited Partnership, Rosehaven Cottages Limited Partnership, Walla Walla Family Homes LLC and Walla Walla Family Homes Two LLC, as described in our audit report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness

of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

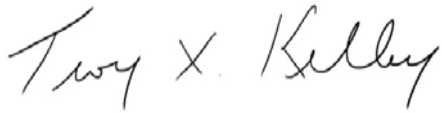
As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests and the report of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for

any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 20, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2015 through December 31, 2015**

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Walla Walla Housing Authority, Walla Walla County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2015. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a

major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

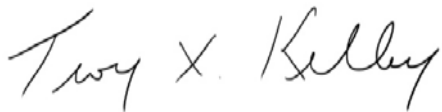
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 20, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Walla Walla Housing Authority Walla Walla County January 1, 2015 through December 31, 2015

Board of Commissioners
City of Walla Walla Housing Authority
Walla Walla, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, Walla Walla County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 18.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lariat Housing LLLP, which represent 20 percent, 1 percent and 14 percent, Marcus Whitman Homes LP, which represent 7 percent, 12 percent and 18 percent, Rosehaven Cottages LP, which represent 6 percent, 12 percent and 10 percent, Galbraith Gardens LLC, which represent 10 percent, 3 percent, 14 percent, Walla Walla Family Homes LLC, which represent 23 percent, 63 percent and 21 percent, Walla Walla Family Homes Two LLC, which represent 34 percent, 10 percent and 23 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Lariat Housing LLLP, the Creekside Cottage LP, the

Marcus Whitman Homes LP, Rosehaven Cottage LP, Galbraith Gardens LLC, Walla Walla Family Homes LLC and Walla Walla Family Homes Two LLC, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the City of Walla Walla Housing Authority, as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 8 to the financial statements, in 2015, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

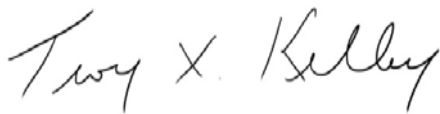
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 24 and pension plan information on pages 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Financial Data Schedule and Actual Modernization Cost Certificate are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 20, 2016

FINANCIAL SECTION

**City of Walla Walla Housing Authority
Walla Walla County
January 1, 2015 through December 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Revenues, Expenses and Changes in Net Position – 2015

Statement of Cash Flows – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – 2015

Schedule of Employer Contributions – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

Entity Wide Balance Sheet Summary (Financial Data Schedule) – 2015

Entity Wide Revenue and Expense Summary (Financial Data Schedule) – 2015

Actual Modernization Cost Certificate – WA19P05750113

Actual Modernization Cost Certificate – WA19P05750114

Overview of the Housing Authority and Financial Statements

The Housing Authority of the City of Walla Walla (the Authority) was established in 1973 by the City of Walla Walla, Washington. The Authority owns and operates multiple Public Housing and Market properties, a Homeless Veterans Program (CORD), a Tenant Based Rental Assistance (TBRA) program and administers Housing Choice Voucher (HCV) and Veterans Affairs Supportive Housing (HUD-VASH) programs, which altogether, are identified as Primary Government.

The Component Units consist of three partnerships and three limited liability corporations for which the Authority is the managing partner/member. The properties are eligible for low-income housing tax credits. Component Units include also the Washington School Homes Planned Unit Development Property Owners Association and the Walla Walla Housing Foundation.

The mission of the Housing Authority is to create housing choices and energize neighborhoods while focusing on providing opportunities for low to moderate income families to prosper with dignity and respect.

The Authority is proud to present its basic financial statements for the fiscal year ended December 31, 2015, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires the inclusion of three basic financial statements: The Statement of Net Position (balance sheet); the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis (MD&A) section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that explain financial data reported in the statements and provide more detailed information related to those balances. The statements are followed by a section of other supplementary information that further explains and supports the information in the basic financial statements, including information required to be reported by the Authority's main oversight agency, the U.S. Department of Housing and Urban Development (HUD).

Financial Analysis

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Authority and its Component Units at the end of the fiscal year. The purpose of the Statement of Net Position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end-of-year data for assets, liabilities and net position (assets minus liabilities).

Total assets of the Primary Government at December 31, 2015 are \$14,702,486. Current assets are comprised of several categories. Cash and cash equivalents include the cash and investments maturing within 90 days. Accounts receivable include tenant receivables, receivables from other governments and receivables from component units. Prepaid expenses and inventory are also assets of the Authority. Non-current assets include capitalized costs, mortgages receivable, certain investments held for operating and

replacement reserves and capital assets. Capital assets include land, buildings, construction in progress, equipment and accumulated depreciation of those assets. Additionally, assets are inclusive of \$161,823 of deferred outflows of resources related to GASB 68.

Total liabilities of the Primary Government are \$9,170,896 at December 31, 2015. Liabilities are also presented in current and non-current portions. Current liabilities include accounts payable, other accrued liabilities, unearned revenue, retainage payable and current portions of long-term debt. A liability is considered to be current if it is due within one year. Long-term liabilities consist of notes and mortgages payable over a period of years. Similarly to assets, liabilities include deferred inflows of resources in the amount of \$169,120

Net position represents the Authority's equity, a portion of which is restricted for certain uses. Net position is divided into three major categories. The first category, invested in capital assets net of related debt, shows the equity in land, structures, construction in progress and equipment, net of related capital debt outstanding. The next net category is restricted net assets. These assets have external limitations on the way in which they may be used. The last category is unrestricted net assets. They are available to use for any lawful and prudent purpose of the Authority.

Statement of Revenues, Expenses and Changes in Net Position

The purpose of the statement of revenues, expenses and changes in net position is to present the revenues earned by the Authority, both operating and non-operating, and the expenses incurred, operating and non-operating and any other revenues, expenses, gains, or losses received or spent by the Authority. Generally, the operating revenues are amounts received for providing housing to tenants. Non-operating revenues are funds received for which goods or services are not provided, except that non-operating revenues also include operating grants and subsidies. Capital contributions represent capital grants received to improve or develop capital assets of the Authority.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2015.

Condensed Comparative Financial Information for Primary Government

STATEMENT OF NET POSITION

	2015	2014	Variance	% Change
<u>ASSETS</u>				
Cash & Cash Equivalents	1,916,209	1,626,430	289,779	17.82%
Accounts Receivable	1,365,899	931,725	434,174	46.60%
Investments	284,921	284,513	408	0.14%
Other Current Assets	179,062	177,014	2,048	1.16%
TOTAL CURRENT ASSETS	3,746,091	3,019,682	726,409	24.06%
Capital Assets	10,357,176	9,727,709	629,467	6.47%
Other Non-Current Assets	437,396	436,339	1,057	0.24%
TOTAL NON-CURRENT ASSETS	10,794,572	10,164,048	630,524	6.20%
Deferred Outflows Related to Pensions	161,823	-	161,823	100.00%
TOTAL ASSETS & DEFERRED OUTFLOWS	14,702,486	13,183,730	1,518,756	11.52%
<u>LIABILITIES & NET POSITION</u>				
Accounts Payable	219,988	179,456	40,532	22.59%
Other Current Liabilities	257,133	185,467	71,666	38.64%
Current Portion - Long Term Debt	1,101,581	142,997	958,584	670.35%
Net Pension Liability	1,096,817	-	1,096,817	100.00%
TOTAL CURRENT LIABILITIES	2,675,519	507,920	2,167,599	426.76%
Long Term Debt - Commercial	6,326,257	6,583,447	(257,190)	-3.91%
TOTAL NON-CURRENT LIABILITIES	6,326,257	6,583,447	(257,190)	-3.91%
Deferred Inflows Related to Pensions	169,120	-	169,120	100.00%
TOTAL LIABILITIES & DEFERRED INFLOWS	9,170,896	7,091,367	2,079,529	29.32%
<u>NET POSITION</u>				
Unrestricted	1,635,558	2,383,784	(748,227)	-31.39%
Restricted	903,496	652,582	250,914	38.45%
Invested in Capital	2,992,537	3,055,997	(63,460)	-2.08%
TOTAL NET POSITION	5,531,590	6,092,363	(560,773)	-9.20%
TOTAL NET POSITION	5,531,590	6,092,363	(560,773)	-9.20%
TOTAL LIABILITIES & NET POSITION	14,702,486	13,183,730	1,518,756	11.52%

**STATEMENT OF REVENUES,
EXPENSES, & CHANGES IN NET
POSITION**

	2015	2014	Variance	% Change
<u>REVENUES</u>				
Tenant Income	1,348,463	1,417,847	(69,384)	-4.89%
Other Income	1,203,155	1,275,994	(72,839)	-5.71%
TOTAL OPERATING REVENUE	2,551,618	2,693,841	(142,223)	-5.28%
Operating Subsidies & Other Grants	5,431,530	5,359,730	71,800	1.34%
Other Non-Operating Revenue	(70,682)	157,067	(227,749)	-145.00%
TOTAL NON-OPERATING REVENUE	5,360,848	5,516,797	(155,949)	-2.83%
GROSS REVENUE	7,912,466	8,210,638	(298,172)	-3.63%
<u>EXPENSES</u>				
Payroll & Related Expenses	1,700,460	1,488,188	212,272	14.26%
Other Rental Operations Expenses	1,594,617	1,620,130	(25,513)	-1.57%
TOTAL OPERATING EXPENSES	3,295,077	3,108,318	186,759	6.01%
Payments from Operating Subsidies	4,400,813	4,490,192	(89,379)	-1.99%
Other Non-Operating Expenses	188,605	225,830	(37,225)	-16.48%
TOTAL NON-OPERATING EXPENSES	4,589,418	4,716,022	(126,604)	-2.68%
TOTAL EXPENSES	7,884,495	7,824,340	60,155	0.77%
NET INCOME	27,971	386,298	(358,327)	-92.76%
Capital Grant Revenue	-	43,074	(43,074)	-100.00%
TOTAL CAPITAL CONTRIBUTIONS	-	43,074	(43,074)	-100.00%
CHANGE IN NET POSITION	27,971	429,372	(401,401)	-93.49%
Prior Period Adjustments	-	-	-	0.00%
Equity Transfers	(588,744)	(40,333)	(548,411)	1359.71%
Net Position at January 1	6,092,363	5,703,324	389,039	6.82%
NET POSITION AT DECEMBER 31	5,531,590	6,092,363	(560,773)	-9.20%

Overall Financial Position and Results of Operations

The Authority's financial position is sound; the fundamental activities of housing and voucher administration performed routinely although with necessary adjustments to average voucher expense and case worker staffing. The Authority is pursuing funding for projects anticipated in its short-term plans.

Financial Highlights Primary Government

- 1) On January 1, 2015, the Authority took possession of the Creekside Cottages via merger pursuant to GASB 69. The partnership WWHA-Creekside Cottages Limited Partnership was dissolved at a later date in 2015. The physical assets were transferred to the Authority at original basis and accumulated depreciation, with a net value of 1,077,580. Current assets consisted of cash, cash equivalents, and accounts receivable of \$225,507. Current liabilities totaled \$14,593, including \$5,715 of intra-company payables, which were paid in January 2015. Long-term debt due to Banner Bank and the Washington

Housing Trust Fund totaled \$772,804. Additionally, \$24,166 of debt to the Authority was paid off as part of the transaction using reserve funds.

- 2) The Housing Choice Voucher (HCV) and Veterans Affairs Supportive Housing (VASH) programs expended \$43,859 more than was received for current year vouchers. Net Restricted Position (NRP) declined accordingly. This apparent loss is due in large part to the transition of NRP on-hand to HUD-held reserves, in which HUD reduced the 2015 distributions by the NRP on hand at 12/31/2014 of \$46,299. Administrative support pro-rations for the HCV and VASH programs came in slightly higher than budgeted at roughly 81.5%, however, lower than expected recapture of assistance overpayments, higher salaries, and delayed quarterly reconciliations from HUD contributed to generating a \$34,222 decrease to Unrestricted Net Position (UNP) by year end.
- 3) Walla Walla Housing Authority has slated the Low-Rent Public Housing (LRPH) portfolio (84 units) to be redeveloped and repositioned through the HUD Rental Assistance Demonstration program. The units will convert to a Low-Income-Housing-Tax-Credit scattered-site portfolio – Emerald Family Properties. Closing is slated to occur on the LRPH portfolio in June 2016. The LRPH properties are currently income producing
- 4) The medium-term financing used to purchase the Linden property will come due in 2016. This 20-unit property will be redeveloped and increased to 31-units. The project will include Creekside Cottages and Washington School Apartments as a “bundled” deal and financed via Low-Income-Housing-Tax-Credits. These properties currently are income-producing, although the units at Linden Place will be phased to vacancy over the first several months of 2016 in preparation for construction slated to begin in September.

Capital Asset and Debt Administration

Creekside Cottages paid down its note to the Authority by \$24,166 to a balance of \$0. The note pay down was completed as part of the transaction to terminate the partnership.

Walla Walla Family Homes Two LLC completed qualified lease-up in September 2015. The construction note was retired in December, with a \$9,587,267 equity installment and \$750,000 permanent financing note. The equity partner withheld a portion of the equity installment, which should have been \$10,053,183, due to a lag in the property achieving Stabilized Occupancy. This is currently targeted for completion by April 2016, shortly after which time the balance of equity funds will be paid in.

WWHA-Lariat Housing LLLP drew down the balance of available construction funding in 2015 - \$631,345 from the Housing Trust Fund and HOME loans, and \$1,776,293 from the Banner construction loan. The project was completed and achieved qualified lease-up in April 2015. However, due to delays in meeting the balance of the requirements for equity installments, no equity funding was received in the year. The third installment was received in January 2016 in the amount of \$1,623,570 and funded a debt service reserve and paid down a portion of the construction loan. The following installments, 4 and 5, are anticipated in June 2016 when Stabilized Occupancy is achieved.

Economic Factors Affecting the Authority’s Future

Availability of finance capital is essential for the Authority to meet its commitment to the growth of local housing opportunities. The current financial climate with declining asset values and increasing security

requirements makes it steadily more challenging for the Authority to finance worthy projects. Federal tax credits for low-income housing are an especially important tool for attracting capital to low-income housing. The Washington State Housing Finance Commission (WSHFC) establishes the priorities for the award of tax credits within the state. The Authority's service area is classified as non-metro, typically putting local projects at a competitive disadvantage for WSHFC awards and increasing the challenge in raising capital.

The Authority is also challenged in its core activity of administering HUD-funded vouchers. HUD provides both Housing Assistance Payments (HAP) and Administrative Fees. Appropriations for administrative funds were pro-rated to 79% in 2014, 81% in 2015, and are projected to be at 80% for 2016 - hence there are fewer processing dollars to handle an increased workload.

Request for information

This financial report is designed to provide a general overview of the Authority and its Component Units for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Amy V Allred, Finance/Deputy Executive Director, at 501 Cayuse Street, Walla Walla, WA 99362.

Housing Authority of the City of Walla Walla
Statement of Net Position
Current as of: December 31, 2015

	Primary Government	Component Units
<u>ASSETS</u>		
Cash & Cash Equivalents		
Unrestricted	1,402,202	588,214
Restricted for Modernization	459,460	1,087,917
Tenant Security Deposits	43,311	66,322
Current Liability Payment	-	192,500
Other Restricted	11,236	-
Total Cash & Cash Equivalents	1,916,209	1,934,953
Accounts Receivable		
HUD: HCV / VASH / PH / CFP	0	-
CORD / TBRA	80,852	-
Notes Receivable - Current	8,125	164,042
Due from Component Units	1,192,264	-
Intra-PG Bridge Financing	71,571	-
Tenant Rents	3,528	4,929
HAP Recovery	14,730	-
Miscellaneous Billings	6,863	4,656
Allowance for Doubtful Accts.	(12,034)	(2,318)
Total Accounts Receivable	1,365,900	171,308
Investments		
Unrestricted	256,924	-
Restricted	27,997	52,413
Total Investments	284,921	52,413
Other Current Assets		
Prepaid Expenses	96,093	43,939
Inventory (Maintenance)	82,969	-
Total Other Current Assets	179,062	43,939
TOTAL CURRENT ASSETS	3,746,092	2,202,613
Capital Assets		
Land	1,462,054	1,829,231
Buildings	15,779,804	39,656,214
Furniture / Equipment / Machinery	1,046,638	1,262,902
Leasehold Improvements	1,116,531	1,162,686
Accumulated Depreciation	(9,244,110)	(6,654,471)
Construction in Progress	196,259	-
Total Capital Assets	10,357,176	37,256,563
Other Non-Current Assets		
Notes: Mortgage Assistance	395,396	-
LP Mortgages & Accrued Interest	-	-
Managing Partner Capital in LP	42,000	-
Total Other Non-Current Assets	437,396	-
TOTAL NON-CURRENT ASSETS	10,794,571	37,256,563
Deferred Outflows Related to Pensions	161,823	-
TOTAL ASSETS	14,702,486	39,459,176

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Net Position
Current as of: December 31, 2015

	Primary Government	Component Units
<u>LIABILITIES & NET POSITION</u>		
Current Liabilities		
AP - less than 90-days	274,372	627,284
Accrued Payroll / Taxes	27,275	-
Compensated Absences	30,571	-
Accrued Interest	16,492	8,890
AP - Other	4,804	14,212
Tenant Security Deposits	43,500	67,000
Prepaid Rent	8,027	26,649
Inter-Program Due-To	72,082	1,187,000
Current Portion - Long Term Debt	1,101,581	53,703
Net Pension Liability	1,096,817	-
Total Current Liabilities	2,675,520	1,984,738
Non-Current Liabilities		
Compensated Absences - Non-Current	63,199	-
Long Term Debt - Commercial	6,263,058	14,441,590
Long Term Debt - WWAHA	-	-
Construction Note	-	3,796,969
Total Non-Current Liabilities	6,326,257	18,238,560
Deferred Inflows Related to Pensions	169,120	-
TOTAL LIABILITIES	9,170,896	20,223,298
Net Position		
Unrestricted	1,630,846	(4,858,221)
Restricted	903,443	1,332,830
Invested in Capital	2,997,301	22,761,270
Total Net Position	5,531,590	19,235,878
TOTAL NET POSITION	5,531,590	19,235,878
TOTAL LIABILITIES & NET POSITION	14,702,486	39,459,176

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Revenues, Expenses, and Changes in Net Position
For the Period Ended: December 31, 2015

	Primary Government	Component Units
<u>OPERATING REVENUES</u>		
Tenant Income		
Tenant Rents	1,139,847	1,512,878
Other Tenant Income	208,616	35,848
Net Tenant Income	1,348,463	1,548,726
Other Operating Revenues		
Contract Payroll Receipts	426,536	-
Partnership Income	193,830	-
HAP Recovery	23,401	-
Other Income	565,811	145,593
GROSS REVENUE	2,558,041	1,694,319
<u>OPERATING EXPENSES</u>		
Payroll Expenses		
Salaries - Administration	760,499	-
Benefits & Taxes - Administration	204,687	-
Contract Administrative Payroll	7,788	87,810
Salaries - Maintenance	565,870	-
Benefits & Taxes - Maintenance	161,617	-
Contract Maintenance Payroll	-	321,545
Subtotal Payroll	1,700,461	409,355
Administrative Expenses		
Legal & Auditing	51,299	106,858
Partnership Fees	-	193,830
Development Costs	182	11,857
Other Administrative Expenses	131,520	50,927
Total Administration	183,001	363,471
Utility Expenses		
Water	90,554	98,706
Sewer	189,673	153,800
Electricity	64,101	31,779
Gas	6,546	3,647
Total Utility Expenses	350,874	287,932
Maintenance Expenses		
Equipment Rentals	77,754	58,857
Interior Maintenance Contracts	144,088	68,627
Garbage Removal Contract	48,820	79,844
Exterior Maintenance Contracts	62,851	60,294
Total General Maintenance	333,513	267,623
Other G & A Expenses		
Insurance	73,628	61,819
Depreciation & Amortization	624,482	1,639,514
Business Taxes & Other General Exp.	1,985	2,081
Bad Debt	21,131	11,518
Total Other G & A Expenses	721,226	1,714,932
TOTAL OPERATING EXPENSES	3,289,075	3,043,313
NET OPERATING INCOME	(731,034)	(1,348,994)

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Revenues, Expenses, and Changes in Net Position
For the Period Ended: December 31, 2015

	Primary Government	Component Units
<u>NON-OPERATING ACTIVITIES</u>		
Grant Revenues		
Voucher Funding	4,100,081	-
Operating Subsidies	995,256	-
Other Grant Revenue	329,772	-
Net Grant Revenues	<u>5,425,109</u>	<u>-</u>
Housing Assistance Payments		
Voucher Payments	4,374,722	-
Utility Assistance	32,759	-
Deposit Assistance	(669)	-
Total Housing Assistance Payments	<u>4,406,813</u>	<u>-</u>
Other Non-Operating Activities		
(Gain) / Loss on Sale of Assets	81,176	(29,105)
Interest (Income)	(10,495)	(1,227)
Interest Expense	188,606	451,275
NET NON-OPERATING ACTIVITIES	<u>759,009</u>	<u>(420,942)</u>
NET INCOME	<u>27,975</u>	<u>(1,769,936)</u>
Capital Grants	-	-
TOTAL CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>27,975</u>	<u>(1,769,936)</u>
Prior Period Adjustments	-	-
Equity Transfers	(588,747)	9,207,737
Net Position at January 1	6,092,362	11,798,077
NET POSITION AT DECEMBER 31	<u>5,531,589</u>	<u>19,235,878</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla
Statement of Cash Flows
For the Period Ended: December 31, 2015

	Primary Government	Component Units
Cash Flow from Operating Activities		
Receipts from Tenants	1,344,952	1,397,143
Receipts - Other	1,213,758	145,734
Payments to Suppliers	(885,759)	(1,878,950)
Payroll: Earnings / Benefits / Taxes	(1,668,210)	0
Net Cash Flow from Operating Activities	4,741	(336,074)
Cash Flow from Non-Capital Financing Activities		
Voucher Funds Received	4,137,485	-
Voucher Payments	(4,406,813)	-
Operating Subsidies	1,248,186	-
Mortgage Assistance	(25,222)	-
Interfunding - NET	-	-
Security Deposits / Cafeteria Plan	(74)	8,000
Inter-Company	745	377,890
Component Unit - NET	(386,847)	(32,684)
Net Cash Flow from Non-Capital Financing Activities	567,460	353,206
Cash Flow from Capital Financing Activities		
Capital Contributions & Grants	537,998	9,207,735
Land / Building / Equipment Additions	(1,253,948)	(2,657,143)
Gain / (Loss) on Sale of Assets	(81,176)	29,105
Principal Payment on Debt	692,927	(5,700,091)
Interest Paid (non-capitalized)	(178,652)	(452,574)
Net Cash Flow from Capital Financing Activities	(282,851)	427,034
Cash Flow from Investing Activities		
Purchases of Investments	(408)	(131)
Interest & Dividends	837	1,227
Net Cash Flow from Investing Activities	429	1,096
TOTAL PERIOD CASH FLOW	289,779	445,262
Cash & Cash Equivalents at January 1	1,626,430	1,489,691
Net Increase / (Decrease) in Cash and Cash Equivalents	289,779	445,262
Cash and Cash Equivalents at December 31	1,916,209	1,934,953
<u>Reconcile Income Statement to Cash Flow from Operations</u>		
Net Income / (Loss) from Operations per Income Statement	(731,034)	(1,348,994)
Add Back: Depreciation	624,482	1,639,514
Adjusted Net Income / (Loss) from Operations	(106,552)	290,520
Cash adjustment from changes in Assets and Liabilities		
(Increase) Decrease in accounts receivable	(775)	(161,109)
(Increase) Decrease in prepaid expenses	(10,867)	(1,326)
(Increase) Decrease in inventory	8,819	-
Increase (Decrease) in accounts payable	88,209	(473,826)
Increase (Decrease) in accrued liabilities	24,463	-
Increase (Decrease) in unearned revenue	1,444	9,667
Net Cash Adjustments	111,293	(626,594)
Net Cash Flow from Operating Activities	4,741	(336,074)

The Accompanying Notes are an Integral Part of these Financial Statements.

Housing Authority of the City of Walla Walla

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Walla Walla conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies including identification of those policies which result in departures from generally accepted accounting principles:

A. Reporting Entity

The Housing Authority of the City of Walla Walla is a municipal corporation governed by an appointed six member board. As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority: the Primary Government, and its Component Units. The Component Units discussed below are included in the Authority's reporting entity because of the significance of their operational or financial relationships with the Authority.

WWHA-Creekside Cottages Limited Partnership

The partnership was formed as a limited partnership under the laws of the State of Washington on April 24, 1998. The partnership agreement was amended June 20, 2000. The purpose of the partnership is to construct and operate a rental housing project. It consists of 25 residential units located in College Place, Washington and operates under the name of Creekside Cottages. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority which has a 0.01 percent interest and one limited partner, Banc of America Housing Fund IID with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWHC-Creekside Cottages Limited Partnership is 2015. NOTE: this partnership was effectively dissolved January 1, 2015.

WWHA-Galbraith Gardens Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on January 4, 2008. The purpose of the partnership is to rehabilitate and operate a rental housing project. It consists of 34 residential units and a community room located in Walla Walla, Washington and operates under the name of Galbraith Gardens. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority which has a 0.01 percent interest and one limited partner, Enterprise Housing Partners XVIII Limited Partnership, with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWHC-Galbraith Gardens Limited Liability Company is 2023.

WWHA-Lariat Housing Limited Liability Limited Partnership

The partnership was formed as a limited liability limited partnership under the laws of the State of Washington on February 19, 2015. The purpose of the partnership is to rehabilitate and operate a rental housing project. It consists of 43 residential units and a community room located in Walla Walla, Washington and operates under the name of Lariat Gardens. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, WWHHA-Lariat Limited Liability Company, which has a 0.01 percent interest, and one limited partner, Enterprise Housing Partner XXIV Limited Partnership, with a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWHHA-Lariat Housing Limited Liability Limited Partnership is 2029.

WWHA-Marcus Whitman Homes Limited Partnership

The partnership was formed as a limited partnership under the laws of the State of Washington on May 5, 2003. The purpose of the partnership is to rehab and operate a rental housing project. It consists of 50 residential units and a community room located in Walla Walla, Washington and operates under the name of Marjorie Terrace. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority, which has a 0.01 percent interest and two limited partners, Enterprise Housing Partners III Series II Limited Partnership with a 48.99 percent interest, and Enterprise Housing Partners XI Limited Partnership with a 51.00 percent interest. All profits and losses are allocated 0.01 to the general partner and 99.99 percent to the limited partners. Year 15 for WWHHA-Marcus Whitman Homes Limited Partnership is 2019.

WWHA-Rosehaven Cottages Limited Partnership

The partnership was formed as a limited partnership under the laws of the State of Washington on May 5, 2003. The purpose of the partnership is to construct and operate a rental housing project. It consists of 25 residential units and a community room located in Walla Walla, Washington and operates under the name of Rosehaven Cottages. The project is eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one general partner, the Authority with a 0.01 percent interest and one limited partner, National Equity Assignment Corporation, which has a 99.99 percent interest. All profits and losses are allocated 0.01 percent to the general partner and 99.99 percent to the limited partner. Year 15 for WWHHA-Rosehaven Cottages Limited Partnership is 2019.

Walla Walla Family Homes Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on January 06, 2010. The purpose of the partnership is to construct and operate a rental housing project, targeted to farm workers. It consists of 60 residential units and one community room located in Walla Walla, Washington and operates under the name of Walla Walla Family Homes. The land is leased from the Authority. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one managing member, the Authority, which has a 0.01 percent interest and one special member, Boston Capital Corporate Tax Credit Fund XXXIII Limited Partnership, with 99.99 percent interest. All profits and losses are allocated 0.01 percent to the managing member and 99.99 percent to the special member. Year 15 for Walla Walla Family Homes Limited Liability Company is 2025.

Walla Walla Family Homes Two Limited Liability Company

The partnership was formed as a limited liability company under the laws of the State of Washington on November 26, 2014. The purpose of the partnership is to construct and operate a rental housing project, targeted to farm workers. It consists of 68 residential units and one community room located in Walla Walla, Washington and operates under the name of Walla Walla Family Homes Two. The land is leased from the Authority. The project is eligible for low income housing tax credits established under the program described in Section 42 of the Internal Revenue Code. The partnership has one managing member, the Authority, which has a 0.01 percent interest and one special member, NEF Assignment Corporation, with 99.99 percent interest. All profits and losses are allocated 0.01 percent to the managing member and 99.99 percent to the special member. Year 15 for Walla Walla Family Homes Two Limited Liability Company is 2029.

Copies of the annual reports of the limited partnerships and limited liability corporations may be obtained by contacting Amy V Allred, Finance/Deputy Executive Director, 501 Cayuse Street, Walla Walla, WA 99362.

Washington School Homes Planned Unit Development Property Owners Association

The property owners association was formed as a non-profit corporation under the laws of the State of Washington on August 15, 2007. The purpose of the corporation is to manage the affairs of Washington School Homes Planned Unit Development, which property is made subject to Declaration of Covenants, Conditions, Restrictions and Reservations of Washington School Homes Planned Unit Development. It consists of 25 single-family lots and three additional lots owned by the Authority. The number of memberships available equals the total number of lots within the Planned Unit Development; the Authority holds three memberships plus all memberships of unsold lots or living units. The Authority maintains memberships for the unsold lots or living units until such time termination occurs by selling or disposing of an ownership interest or property interest covered under the Declarations, and membership is transferred as a part of title.

Walla Walla Housing Foundation

The Walla Walla Housing Foundation was formed as a non-profit corporation under the laws of the State of Washington on December 5, 2006. The purpose of the corporation is to support the Housing Authority of the City of Walla Walla's educational, charitable, and scientific programs by performing fundraising exclusively for the benefit of the Housing Authority of the City of Walla Walla. The corporation has one member, the Housing Authority of the City of Walla Walla who is responsible for appointing the Board of Directors and such other powers, including voting rights and approval rights.

B. Basis of Accounting and Presentation

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP; however, it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model.

The Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement of focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. These programs are designed to provide low income individuals and families with housing.

Low-Rent Public Housing

The Low-Rent Public Housing program consists of 84 housing units. The Authority maintains these housing units and provides them as rental units for low-income families located in Walla Walla, Washington. The U.S. Department of Housing and Urban Development provides the funding to operate these housing units and provides ongoing operating and capital subsidies to the program.

Housing Choice Voucher Program

The Housing Choice Voucher Program was established to provide rental assistance to eligible families to rent in the private market. The Authority administers approximately 750 housing vouchers in Walla Walla and Columbia counties. The Authority's vouchers are designated for low-income individuals and families.

HUD-Veterans Affairs Supportive Housing (VASH)

The VASH Program was established to provide rental assistance for homeless veterans to rent in the private market. The Veterans Administration Medical Center is responsible for screening and referral. The Authority administers 208 VASH vouchers in Walla Walla, Columbia, Franklin, and Benton counties in Washington State and the greater Milton-Freewater area of Umatilla County in Oregon State.

Tenant Based Rental Assistance Program

The Tenant Based Rental Assistance Program was established to provide rental and deposit assistance to eligible homeless families to rent in the private market. Funding is provided from the State Department of Commerce using HOME funds under CFDA 14.239. The Authority administers the program and provides assistance to an annual average of 20 homeless individuals and families.

HUD Capital Fund Program

The HUD Capital Fund Program (CFP) was established to account for capital funds provided by HUD to improve and upgrade existing low-rent public housing units operated by the Authority.

Veterans Homeless Program

The Corps of Recovery Discovery program is a transitional housing and vocational rehabilitation program for homeless veterans. The Authority constructed 4 duplexes and two single units for the program and contracts with Valley Residential Services to provide services for the homeless program. This program has the highest success rate per capita of any homeless Veterans program within the United States.

FEMA Emergency Food & Shelter Program

The Emergency Food & Shelter Program is a national program funded through FEMA. The program was established to help stave off homelessness by providing one-month rent/mortgage and/or one month of utilities. The funds must delay homelessness for at least 30-days. Funding is provided locally through the United Way using Department of Homeland Security funds under CFDA 97.024. The Authority administered \$6,000 in 2015.

Walla Walla County Coordinated Entry

The Walla Walla County Coordinated Entry system, locally known as Pathways Home, provides a consistent and simplistic coordinated entry system for homeless housing services in Walla Walla County. The Authority employs the county's system manager and performs intake and referral services. Funding is provided from Walla Walla County using state Consolidated Homeless Grant funds administered by the Department of Commerce.

Neighborhood Stabilization Program

The Authority purchased two homes in 2010 as a sub-recipient of Neighborhood Stabilization Program funding for conversion to use as transitional housing for homeless veterans. The Authority contracts with Valley Residential Services to provide services for the homeless program.

Belmont Apartments

The Belmont Apartments consists of 21 apartments owned and operated by the Authority. The project receives no federal subsidies however, due to funding received from the Washington Housing Trust Fund, the units are rented at 50% LIHTC rate. A minimum of 10 units are dedicated to developmentally disabled individuals.

Farmworker Housing (Lado Viejo Apartments)

Farmworker Housing consists of 68 apartments owned and operated by the Authority. The project receives no federal subsidies and the units are rented at market rate. These units were demolished in 2015 in conjunction with the Valle Lindo Two project owned by Walla Walla Family Homes Two LLC.

Foothill Homes

Foothill Homes consists of 25 townhome-style apartments located on various sites throughout Walla Walla and is owned and operated by the Authority. The project receives no federal subsidies, however, due to funding received from the Washington Housing Trust Fund, the units are rented at 60% LIHTC rate.

Linden Place

Previously known as Galbraith Gardens Apartments, Linden Place consists of 20 apartments owned and operated by the Authority. The project receives no federal subsidies and the units are rented at market rate.

Washington School Apartments

Washington School Apartments consists of 24 residential units located in Walla Walla. The project was funded with low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code and has exited its initial 15-year compliance period. However, the property is still bound by the additional use period through 2047. 19 of the units are targeted to households at 50% or less of area median income, and 5 units are targeted to households at 60% or less of area median income.

Enterprise Program

The Authority uses the Enterprise Program to account for indirect program revenue and expenses. These indirect revenues and expenses are allocated to the Authority's ongoing programs based on the level of resources the programs require. This is the central office cost center and houses the administrative building, including community space which is available for use by each program's tenants and other groups and individuals.

Also included in the Enterprise Program are the revenues and expenses associated with the well-water system, sewer lift-stations, daycare facility and laundry facility located at the Valle Lindo property.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method, revenues are recognized when earned and expenses are

recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the fund.

The Authority applies GASB pronouncements and has elected to apply Financial Accounting Standard Board (FASB) statements and Accounting Principles Board (APB) pronouncements issued after November 30, 1989.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, to be cash equivalents.

2. Investments: See Note 2, *Deposits and Investments*.

State statutes authorize the Authority to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the primary government, as well as for its component units, are reported at fair value. No investments are reported at amortized costs.

Interest is allocated to the appropriate program based on the fair value of its share of pooled funds.

3. Receivables

Tenant account receivables consist of amounts owed from private individuals for unpaid rents, maintenance charges and/or late fees. Allowances for doubtful accounts are established for all accounts receivable, except receivables from component units, and inventory balances. The allowances are adjusted to "at-risk" balances on a monthly basis. An "at-risk" balance is designated as all balances due from past residents/participants plus the entire balance of a note receivable for which any payments are past due.

Other receivables include amounts due from partnerships and federal, state, and local grantors for expenses incurred but not yet reimbursed. No estimate for uncollectible amounts of governmental receivables has been established as management believes that all accounts will be collected in full.

4. Inventories

Inventories are valued at average cost. The accounting system, implemented in fiscal year 2007, initially accounted for inventory using the LIFO methodology. An updated module adopted in 2008 revised the valuation to average cost. The effect was judged to be immaterial and the Authority recorded no entry for accounting change.

5. Restricted Assets

In accordance with long-term debt resolutions and certain related agreements, grant agreements, and partnership agreements separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other special reserve requirements. Restricted resources currently include the following:

Primary Government - Restricted Net Assets

HCV & VASH Housing Assistance	13,796
Mortgage Assistance - Revolving Loan Fund	395,396
Deposit Assistance - Revolving Loan Fund	6,794
Water/Sewer System Replacement Reserves	102,724
CORD Replacement Reserve	27,997
Belmont Replacement Reserve	30,512
Creekside Operating/Replacement Reserves	207,127
Footill Homes Operating/Replacement Reserves	75,027
Washington School Replacement Reserve	44,071
Total Net Restricted Assets	903,443

Primary Government - Other Restricted Cash

Public Housing Security Deposits	16,003
Enterprise Security Deposits	27,307
Cafeteria Plan	4,804
Total Other Restricted Cash	48,115

Component Units - Restricted Net Assets

Developer Fee Holding Reserve (WWHF2)	192,500
Operating/Replacement Reserves	1,140,330
Total Net Restricted Assets	1,332,830

Component Units - Other Restricted Cash

Construction Funds - WWFH2 / WWHA-Lariat	-
Security Deposits	66,322
Total Other Restricted Cash	66,322

6. Capital Assets: See Note 3, *Capital Assets*

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. The Authority and its Component Units do not have any obligations under capital leases.

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Executive Director is also authorized to make determinations on a case-by-case basis for application of the capitalization policy to non-expendable personal property that does not meet the aforementioned policy but where capitalization of the specific equipment purchase would afford more desirable administrative control over the equipment.

Capital assets are recorded at historical cost. Donations are recorded at fair market value at the time of donation or the appraised value.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Authority during the current fiscal year is \$712,055. Of this amount, \$72,174 was included as part of the cost of capital assets under construction in connection with the Lariat Gardens project.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	27.5
Land improvements	15
Furniture and equipment	5

7. Operating Revenues/Expenses

The Authority reports operating revenues as defined in GASB 9. Operating revenues result from fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financing activities in the statement of cash flows. Operating expenses are those expenses that are directly incurred in the operation of providing low income housing.

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Authority utilizes undifferentiated Paid Time Off (PTO) for vacation, sick leave, and personal leave. The Authority records unpaid leave for compensated absences as an expense and a liability when incurred. PTO may be accumulated and carried-over at year end up to 120 hours. The employee's PTO balance is payable upon resignation, retirement, or death.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans'

fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Long-Term Debt: See Note 7, *Long-Term Debt*.

11. Conditional Assets

The Authority holds mortgages in second position on eight Washington School Homes properties in the total amount of \$219,455. The terms are as follows:

Borrowers making at or below 80% of the area median income are eligible for a deferred-payment second mortgage subsidy recorded as a promissory note secured by a mortgage document with a recapture clause. No interest will be assessed and the borrower will make no payments. If the home is sold within the first 10 years, the Authority will collect the original subsidy and share a portion of the sales proceeds after the retirement of other outstanding debt against the property. Two of the agreements accounting for \$15,000 require no repayment of the mortgage after year-10. The remaining agreements accounting for \$204,455 require 50% repayment of the mortgage after year-10.

The portion of the sales proceeds in which the Authority will share is based on the percentage of the subsidy to the original price of the home. If the home is sold within the first five years of ownership, the Authority will be entitled to a percentage of equity (sales proceeds) equal to the full percentage of the original subsidy. If the home is sold in years 6-10, the Authority will be entitled to a percentage of equity equal to half the percentage of the original subsidy.

12. Construction Financing

Currently the Authority has no active interim or construction financing, however, two of the component unit entities have secured construction financing which will be retired and/or converted to permanent financing with funds from the investor partner/member:

Walla Walla Family Homes Two LLC has secured construction financing in the amount of \$10,250,000 with Wells Fargo Bank for the construction of Valle Lindo Two. This loan was retired in December 2015.

WWHA-Lariat Housing LLP has secured interim financing, via tax-exempt bonds, with Banner Bank in the amount of \$4,150,000 for the rehabilitation of Lariat Gardens. This loan will be reduced to \$2,000,000 and converted to permanent financing at the close of the project.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The Authority's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC).

B. Investments

As of the year ended December 31, 2015, the Authority had the following investments:

Primary Government Certificates of Deposit	284,921
Component Unit Certificates of Deposit	52,413

NOTE 3 – CAPITAL ASSETS

Primary Government capital asset activity for the year ended December 31, 2015 was as follows:

Non-Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Land	1,261,897	365,557	(165,400)	1,462,054
Construction in Progress	17,090	268,653	(89,484)	196,259
Total Non-Depreciating Capital Assets	1,278,988	634,210	(254,884)	1,658,313
Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	15,013,840	2,325,019	(442,524)	16,896,334
Equipment	714,714	116,650	(61,543)	769,821
Capitalized Costs	276,817	6,874	(6,874)	276,817
Total Depreciating Capital Assets	16,005,371	2,448,542	(510,940)	17,942,973
Accumulated Depreciation	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	(7,153,583)	24,246	(1,575,168)	(8,704,506)
Equipment	(359,657)	44,576	(171,866)	(486,947)
Capitalized Costs	(43,409)	3,616	(12,865)	(52,657)
Total Accumulated Depreciation	(7,556,649)	72,438	(1,759,899)	(9,244,110)
NET CAPITAL ASSETS	9,727,709	3,155,190	(2,525,723)	10,357,176

Component Unit capital asset activity for the year ended December 31, 2015 was as follows:

Non-Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Land	1,752,196	277,192	(200,157)	1,829,231
Construction in Progress	3,968,580	3,604,584	(7,573,164)	-
Total Non-Depreciating Capital Assets	5,720,776	3,881,776	(7,773,321)	1,829,231
Depreciating Capital Assets	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	35,766,234	6,346,383	(1,955,291)	40,157,326
Equipment	1,043,471	109,728	(108,713)	1,044,486
Capitalized Costs	853,668	50,070	(23,747)	879,990
Total Depreciating Capital Assets	37,663,373	6,506,181	(2,087,751)	42,081,803
Accumulated Depreciation	Beginning	Additions	Retirements	Ending
Buildings & Site Improvements	(5,369,881)	1,180,344	(1,622,273)	(5,811,811)
Equipment	(598,240)	111,159	(151,433)	(638,514)
Capitalized Costs	(165,005)	12,372	(51,513)	(204,146)
Total Accumulated Depreciation	(6,133,126)	1,303,875	(1,825,220)	(6,654,471)
NET CAPITAL ASSETS	37,251,023	11,691,832	(11,686,292)	37,256,563

In the case of the sale of a significant operating unit or system, the original cost is removed from the capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation is computed on the straight-line method with useful lives of 3 to 50 years. Internal Revenue guidelines are used to determine the depreciation terms of acquired assets.

NOTE 4 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The Authority has active construction commitments as of December 31, 2015. Projects listed on the table below have contractor commitments at year end as noted:

Primary Government - Construction	Expended	Remaining
Capital Fund Project Year 2013	134,911	-
Capital Fund Project Year 2014	-	152,359
Capital Fund Project Year 2015	-	158,208
Total Construction In Progress	134,911	310,567

Component Units - Construction	Expended	Remaining
Walla Walla Family Homes Two LLC	13,425,657	795,176
WWHA-Lariat Housing LLLP	7,929,944	266,320
Total Construction In Progress	21,355,602	1,061,495

Neither the Authority nor the Component Units will be required to raise further capital to complete the projects currently underway.

NOTE 5 – SHORT-TERM DEBT

The Authority had no external short-term financing in 2015.

NOTE 6 – LONG-TERM DEBT

Primary Government has long term loans secured by capital assets, and one unsecured loan. These loans were used to acquire capital assets that provide low income housing and to improve the Authority's offices in one case. All loans are being repaid from revenues generated by the Primary Government.

Primary Government - Mortgages	Principal	Issue Date	Rate	Due	Outstanding
Alder – Secured by Real Estate	316,800	03/21/07	5.00%	2016	172,272
Linden Place – Secured by Real Estate***	500,000	12/23/08	1.00%	2016	232,720
Linden Place – Secured by Real Estate	300,000	12/24/08	5.00%	2016	537,465
Washington School Homes - Bridge Loan	114,220	03/01/13	4.13%	2019	168,546
WWHA Office – Secured Real Estate	205,000	05/29/98	4.50%	2023	88,509
CORD – Secured by Real Estate	126,000	01/18/98	4.50%	2028	41,930
CORD – Secured by Real Estate	70,000	09/13/98	4.50%	2028	72,716
Drinking Water State Reserve Fund	253,595	05/03/13	3.00%	2028	206,046
Commercial Loan-Unsecured and variable rate	100,000	06/27/11	6.50%	2029	63,474
Belmont Apartments – Secured by Real Estate	237,250	09/24/99	4.50%	2029	149,556
Creekside Cottages LP - Secured by Real Estate	162,106	09/24/00	6.00%	2030	117,933
Washington School Apts - Secured by Real Estate	261,203	01/01/14	7.00%	2030	243,423
Foothill Homes - Banner Permanent	2,054,600	07/01/10	5.00%	2040	1,880,363
Washington School Apts - Secured by Real Estate	609,509	01/01/14	1.00%	2047	565,176
Belmont Apartments – Secured by Real Estate	100,000	06/30/09	1.00%	2048	94,164
Belmont Apartments – Secured by Real Estate*	100,000	06/30/09	1.00%	2048	118,431
Belmont Apartments – Secured by Real Estate**	113,920	06/30/09	1.00%	2048	134,916
Foothill Homes - HTF secured by Real Estate	1,875,000	10/30/09	1.00%	2049	1,827,000
Creekside Cottages LP - Secured by Real Estate	650,000	12/01/01	1.00%	2050	650,000
Total Current Mortgage Balances					<u>7,364,639</u>
* Capitalized Interest at Maturity - Belmont HTF 2					3,589
** Capitalized Interest at Maturity - Belmont HTF 3					18,631
*** Capitalized Interest at Maturity - Linden HFC					5,384
Total Mortgage Balances through Maturity					<u>7,392,242</u>

Service requirements to maturity for mortgages are as follows:

Primary Government Debt Summary

Year	Principal	Interest
2016	1,101,581	181,334
2017	172,103	156,462
2018	177,723	150,366
2019	343,017	142,500
2020	189,862	132,131
2021 - 2025	1,027,853	560,299
2026 - 2030	1,075,050	387,941
2031 - 2035	1,032,934	247,233
2036 - 2040	1,153,828	104,277
2041 - 2045	600,127	18,267
2046 - 2050	518,164	4,832
2051 - 2055	-	-
Total	<u>7,392,242</u>	<u>2,085,642</u>

The Authority is in compliance with all significant limitations and restrictions.

The Component Units have long term loans secured by capital assets. These loans were used to acquire capital assets that provide low income housing. They are being repaid from revenues generated by the component units.

Component Units - Mortgages	Principal	Issue Date	Rate	Due	Outstanding
WWHA-Lariat Housing - Secured by Real Estate	2,000,000	06/01/16	5.25%	2033	2,000,000
WW Family Homes 2 - Secured by Real Estate	750,000	01/01/16	5.25%	2033	750,000
M. Whitman Homes LP - Secured by Real Estate	2,547,775	09/15/04	6.84%	2035	367,726
Rosehaven Cottages LP - Secured by Real Estate	207,714	05/13/05	6.50%	2036	178,896
Galbraith Gardens LLC - Secured by Real Estate	800,000	07/01/10	5.75%	2040	737,615
M. Whitman Homes LP - Secured by Real Estate	1,363,000	08/01/05	1.00%	2045	1,374,424
Rosehave Cottages LP - Secured by Real Estate	850,000	03/31/06	1.75%	2045	818,500
Galbraith Gardens LLC - Secured by Real Estate	2,825,000	12/24/08	0.00%	2049	2,825,000
WW Family Homes - Secured by Real Estate*	2,500,000	11/10/10	1.00%	2051	2,600,000
WWHA-Lariat Housing - Secured by Real Estate***	3,500,000	05/05/14	1.00%	2054	3,535,131
WW Family Homes 2 - Secured by Real Estate**	1,300,000	06/10/13	1.00%	2054	1,308,000
Total Current Mortgage Balances					<u>16,495,293</u>
* Accrued Interest Capitalized through 2031					400,000
** Accrued Interest Capitalized through 2044					167,068
*** Accrued Interest Capitalized through 2054					1,007,372
Total Mortgage Balances through Maturity					<u>18,069,734</u>

Service requirements to maturity for mortgages are as follows:

<u>Component Unit Debt Summary</u>		
Year	Principal	Interest
2016	53,703	188,840
2017	71,829	241,355
2018	75,845	237,338
2019	80,100	233,083
2020	84,609	228,575
2021 - 2025	500,667	1,065,250
2026 - 2030	729,788	904,549
2031 - 2035	2,428,214	615,515
2036 - 2040	414,158	295,546
2041 - 2045	2,224,295	256,071
2046 - 2050	2,787,497	192,508
2051 - 2055	8,619,029	148,339
2056 - 2060	-	-
Total	<u>18,069,734</u>	<u>4,606,969</u>

The component units are in compliance with all significant limitations and restrictions.

NOTE 7 - Changes in Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

Primary Government	Beginning	Additions	Pay Downs	Ending
Mortgages Payable	6,671,712	998,392	(305,465)	7,364,639
Compensated Absences	82,374	35,584	(24,189)	93,770
Claims & Judgements	-	-	-	-
Total	6,754,086	1,033,977	(329,654)	7,458,409

Component Units	Beginning	Additions	Pay Downs	Ending
Mortgages Payable	13,872,111	1,699,928	(1,076,745)	14,495,294
Compensated Absences	-	-	-	-
Claims & Judgements	-	-	-	-
Total	13,872,111	1,699,928	(1,076,745)	14,495,294

NOTE 8 – PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts - All Plans

Pension liabilities	1,096,817
Pension assets	-
Deferred outflows of resources	161,823
Deferred inflows of resources	169,120
Pension expense/expenditures	23,842

State Sponsored Pension Plans

Substantially all of the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local

governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1			
Actual Rates:	Contribution	Employer	Employee*
January through June 2015		9.21%	6.00%
July through December 2015		11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The Authority's actual contributions to the plan were \$0.00 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3			
Actual	Contribution	Employer 2/3	Employee 2*
Rates:			
January through June 2015		9.21%	4.92%
July through December 2015		11.18%	6.12%
Employee PERS Plan 3			varies

* For employees participating in JBM, the contribution rate was 15.30%

The Authority's actual contributions to the plan were \$130,023 for the year ended December 31, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of

expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	Current	
1% Decrease	Discount Rate	1% Increase
6.50%	7.50%	8.50%
709,470	582,726	473,737
1,503,230	514,091	(243,255)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Authority reported a total pension liability of \$1,096,817 for its proportionate share of the net pension liabilities as follows:

	Liability / (Assets)
PERS 1	582,726
PERS 2/3	514,091

At June 30, the Authority's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2014	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.010329%	0.011140%	0.000811%
PERS 2/3	0.013298%	0.014388%	0.001090%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	34,730
PERS 2/3	60,922

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	31,881
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	30,954	-
TOTAL	30,954	31,881

PERS 2 / 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	54,648	-
Net difference between projected and actual investment earnings on pension plan investments	-	137,238
Changes of assumptions	828	-
Changes in proportion and differences between contributions and proportionate share of contributions	35,072	-
Contributions subsequent to the measurement date	40,320	-
TOTAL	130,869	137,238

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending

December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (not applicable to PERS Plan 1):

Year ended PERS 2 / 3

December 31:

2016	10,315
2017	10,315
2018	10,315
2019	4,126
2020	-
Thereafter	-

NOTE 9 – MAJOR COMPONENT UNITS

GAAP requires that separate presentation or disclosure be made for the major component units of an entity. However, the methodology in determining whether a component unit should be classified as a major or non-major component unit is not clearly defined in GASB 34 and therefore is left to the interpretation of the user of the financial statements. To promote accountability, fiscal integrity, and transparency in fiscal reporting the Authority is providing the following financial disclosures related to the component units:

A. Component Units

The purpose of the limited partnerships is to operate a rental housing project. The Authority has ownership interest in four limited partnerships and three limited liability corporations that are eligible for low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code.

NOTE 10 – MATERIAL RELATED PARTY TRANSACTIONS

WWHA-Galbraith Gardens LLC, WWH-A-Lariat Housing LLLP, WWH-A-Marcus Whitman Homes LP, WWH-A-Rosehaven Cottages LP, Walla Walla Family Homes LLC and Walla Walla Family Homes Two LLC are managed by the Authority. As such, the managing partner is entitled to, per the partnership agreements, certain property management and administrative fees.

The Authority earned the following fees during fiscal year 2015:

	Incentive Mgmt Fee	Developer Fee	Partnership Admin Fee	Property Mgmt Fee	Total Fees Paid
WWHA-Galbraith Gardens LLC	-	-	7,089	17,060	24,149
WWHA-Lariat Housing LLLP	-	480,000	9,244	11,453	500,697
WWHA-Marcus Whitman Homes LP	-	-	20,763	20,066	40,830
WWHA-Rosehaven Cottages LP	-	-	13,048	13,004	26,051
WWHA-Walla Walla Family Homes LLC	-	-	10,000	22,492	32,492
WWHA-Walla Walla Family Homes Two LLC	-	-	18,540	31,070	49,610
Total	-	480,000	78,684	115,145	673,830

The Authority has entered into ground leases with the limited partners. Annual lease payments are \$12, with the exceptions of Walla Walla Family Homes LLC, which is \$10 annually, prepaid through 2017, and Walla Walla Family Homes Two LLC, which is \$1 annually.

The partnership agreements between the Authority and its component units provide for various obligations of the general partner including its obligation to provide funds for any development and operating deficits. The specific details of the notes payable from the Component Units to the Authority, if any, can be seen in Note 6.

The accompanying table ties to Current Asset: Due from Component Unit and to Non-Current Asset: Long-term Notes Due from Component Unit.

Amounts due from the Component Units at December 31, 2015, are as follows:

WWHA-Galbraith Gardens LLC

Year-End Fees	2,788
Partnership Fee	33,440

WWHA-Lariat Housing LLLP

Year-End Fees	3,747
Partnership Fee	9,244
Developer Fee	539,400

WWHA-Marcus Whitman Homes LP

Year-End Fees	6,535
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WWHA-Rosehaven Cottages LP

Year-End Fees	3,853
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WWHA-Walla Walla Family Homes LLC

Year-End Fees	7,885
Partnership Fee	40,000
Developer Fee	9,060

WWHA-Walla Walla Family Homes Two LLC

Year-End Fees	10,782
Partnership Fee	21,739
Developer Fee	498,273

Total Due From Component Units	1,186,746
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NOTE 11 – CONTINGENT LIABILITIES AND LITIGATION

The Authority has made no material commitments nor have there been any events or actions in regards to contingent litigations between the effective dates of these financial statements and the date of issue to be reported.

NOTE 12 – SUBSEQUENT EVENTS

As noted in the Management’s Discussion and Analysis Items 3 and 4, the Authority is currently working to convert the Low-Rent Public Housing portfolio of 84 units through HUD’s Rental Assistance Demonstration program, as well as to syndicate/re-syndicate 3 properties (Linden Place, Creekside Cottages, and Washington School Apartments) as a “bundled” project with a total of 80 units. All planned work is for rehabilitation; no new construction. Project budgets are approximately \$14.9 million and \$10.1

million, respectively. Estimated closing and start of construction are slated for late June for the LRPH project and late September for the bundled project. Should closing on the LRPH project occur prior to publication of this report, an update will be provided.

NOTE 13 – RISK MANAGEMENT

The Housing Authority of the City of Walla Walla is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Inter-local Cooperation Act), 55 public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP currently has a total of 87 members in the states of Washington, Oregon, Nevada and California; 36 of the 87 members are Washington public housing entities.

New members originally contract for a 3- year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the 3-year commitment) upon giving written notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

Members are placed into an actuarially determined rate tier designed to reflect loss experience of the member for the previous four years. The tiered system is designed to adjust rates based on claims experience.

Automobile Liability coverage is written on an occurrence basis, with \$250 - \$500 in deductibles. General Liability coverage is also written on an occurrence basis with a variable deductible ranging from 0% to 10% of the claim. Errors & Omissions coverage and Employment Practices Liability coverage are written on a claims-made basis, and the members are responsible for \$2,500 or up to 10% of the incurred costs of the claims. Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment. The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from \$1,000 to \$25,000. Fidelity coverage, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty and forgery or alteration and \$10,000 for theft are also provided with deductibles the same as Property.

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. Some members have chosen greater Property limits for higher valued properties. Limits for Automobile Liability are \$2,000,000/\$2,000,000.

In 2011 HARRP re-structured its self-insurance program to transfer a portion of the risk to the commercial marketplace. HARRP self-insures 50% of the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate) and purchases reinsurance for the remaining \$1,000,000. For property, HARRP purchases \$45,000,000 of reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control services, claim investigation and adjusting, litigation management and defense with in-house staff and retained third party contractors.

HARRP is fully funded by member assessments that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, reinsurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

Risk Exposure and Claims:

There was one damage claim in 2015:

The resident in unit E3 at Marjorie Terrace passed away sometime in the early part of 2015, however, due to the length of time between his passing and its discovery there was need for significant mitigation and rehabilitation to the unit, which was offline for approximately 4 months. Insurance claim proceeds were received in the amount of \$46,475, offsetting the contractor cost in the amount of \$44,157, as well as the lost rent and some direct staff time.

Claims have not exceeded insurance coverage in any of the last three years.

Schedules of Required Supplementary Information - Pension Plans
HOUSING AUTHORITY OF THE CITY OF WALLA WALLA SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

PERS # 1

	2015	2014	2013
Housing Authority's proportion of the net pension liability (asset)	0.011140%	0.010329%	0.009738%
Housing Authority's proportionate share of the net pension liability (asset)	582,726	520,328	569,016
Housing Authority's covered-employee payroll	1,282,894	1,189,109	1,139,063
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.42%	43.76%	49.95%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	61.19%	Unknown

PERS # 2/3

	2015	2014	2013
Housing Authority's proportion of the net pension liability (asset)	0.014388%	0.013298%	0.012969%
Housing Authority's proportionate share of the net pension liability (asset)	514,091	268,801	553,778
Housing Authority's covered-employee payroll	1,282,894	1,189,109	1,139,063
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.07%	22.61%	48.62%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	93.29%	Unknown

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year; These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments shall present information for those years which are available.

Schedules of Required Supplementary Information - Pension Plans
HOUSING AUTHORITY OF THE CITY OF WALLA WALLA SCHEDULE OF THE HOUSING AUTHORITY CONTRIBUTIONS
Last 10 Fiscal Years*

<u>PERS # 1</u>		2015	2014	2013
Contractually required contribution		58,659	48,002	36,256
Contributions in relation to the contractually required contribution		(58,659)	(48,002)	(36,256)
Contribution deficiency (excess)		-	-	-
Housing Authority's covered-employee payroll		1,282,894	1,189,109	1,139,063
Contributions as a percentage of covered-employee payroll		4.57%	4.04%	3.18%
<u>PERS # 2/3</u>		2015	2014	2013
Contractually required contribution		71,759	59,374	55,050
Contributions in relation to the contractually required contribution		(71,759)	(59,374)	(55,050)
Contribution deficiency (excess)		-	-	-
Housing Authority's covered-employee payroll		1,282,894	1,189,109	1,139,063
Contributions as a percentage of covered-employee payroll		5.59%	4.99%	4.83%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year; These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments shall present information for these years which are available.

Notes to Required Supplementary Information - Pension Plans

Changes of benefit terms: Changes in the benefit terms for the Pension Plans, if any, are described in the DRS CAFR.

Changes of assumptions: Changes in the assumptions for the Pension Plans, if any, are described in the DRS CAFR.

City of Walla Walla Housing Authority
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Wa State Dept of Commerce)	Home Investment Partnerships Program	14.239	F07-47101-113	130,586	-	130,586	1,2
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public and Indian Housing	14.850	WA057-001-06D	-	174,954	174,954	1,2
Housing Voucher Cluster							
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Section 8 Housing Choice Vouchers	14.871	WA057	-	4,662,550	4,662,550	1,2
	Total Housing Voucher Cluster:			-	4,662,550	4,662,550	
Office Of Public And Indian Housing, Department Of Housing And Urban Development	Public Housing Capital Fund	14.872	WA19P05701-13	-	134,911	134,911	1,2
Va Health Administration Center, Department Of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	96-036-WA	-	116,517	116,517	1,2
Va Health Administration Center, Department Of Veterans Affairs	VA Homeless Providers Grant and Per Diem Program	64.024	05-072-WA	-	159,558	159,558	1,2
	Total CFDA 64.024:			-	276,075	276,075	
Department Of Homeland Security	Emergency Food and Shelter National Board Program	97.024	893800-010	-	6,000	6,000	1,2
	Total Federal Awards Expended:			130,586	5,254,490	5,385,076	

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Housing Authority of the City of Walla Walla's financial statements. The Authority uses the accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Authority's portion, may be more than shown. Such expenditures are recognized, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

HA City of Walla Walla (WA057)
WALLA WALLA, WA
Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2015										
Submission Type: Unaudited/Single Audit										
	Project Total	97.024 Emergency Food and Shelter National Board Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	14.239 HOME Investment Partnerships Program	2 State/Local	14.228 Community Development Block Grants/States Program	64.024 VA Homeless Providers Grant and Per Diem Program	Subtotal	Total
111 Cash - Unrestricted	\$357,094		\$54,442	\$588,214		\$560,899		\$29,769	\$1,990,418	\$1,990,418
112 Cash - Restricted - Modernization and Development				\$1,087,917		\$459,460			\$1,547,377	\$1,547,377
113 Cash - Other Restricted			\$6,431						\$6,431	\$6,431
114 Cash - Tenant Security Deposits	\$16,003			\$66,322		\$27,307			\$109,632	\$109,632
115 Cash - Restricted for Payment of Current Liabilities				\$192,500		\$4,804			\$197,304	\$197,304
100 Total Cash	\$373,097	\$0	\$60,873	\$1,934,953	\$0	\$1,452,470	\$0	\$29,769	\$3,851,162	\$3,851,162
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects										
124 Accounts Receivable - Other Government					\$18,156	\$8,310		\$54,386	\$80,852	\$80,852
125 Accounts Receivable - Miscellaneous			\$31	\$163,875		\$0			\$163,906	\$163,906
126 Accounts Receivable - Tenants	\$6,196			\$7,376		\$3,398			\$16,970	\$16,970
126.1 Allowance for Doubtful Accounts -Tenants	\$-5,638			\$-2,318		\$-2,128			\$-10,084	\$-10,084
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$3,323			\$2,376		\$4,697			\$10,396	\$10,396
128 Fraud Recovery			\$14,835						\$14,835	\$14,835
128.1 Allowance for Doubtful Accounts - Fraud			\$-4,268						\$-4,268	\$-4,268
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,881	\$0	\$10,598	\$171,309	\$18,156	\$14,277	\$0	\$54,386	\$272,607	\$272,607
131 Investments - Unrestricted	\$66,960					\$189,964			\$256,924	\$256,924
132 Investments - Restricted				\$52,413				\$27,997	\$80,410	\$80,410
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$21,437		\$27,394	\$43,939	\$522	\$43,115	\$1,126	\$2,499	\$140,032	\$140,032
143 Inventories						\$83,719			\$83,719	\$83,719
143.1 Allowance for Obsolete Inventories						\$-750			\$-750	\$-750
144 Inter Program Due From						\$1,264,601			\$1,264,601	\$1,264,601
145 Assets Held for Sale										
150 Total Current Assets	\$465,375	\$0	\$98,865	\$2,202,614	\$18,678	\$3,047,396	\$1,126	\$114,651	\$5,948,705	\$5,948,705
161 Land	\$302,750			\$1,829,231		\$1,061,564	\$35,241	\$62,500	\$3,291,286	\$3,291,286
162 Buildings	\$4,565,977			\$38,258,511		\$8,496,362	\$374,645	\$1,484,098	\$53,179,583	\$53,179,583
163 Furniture, Equipment & Machinery - Dwellings	\$229,002			\$937,522		\$216,394	\$4,125	\$23,615	\$1,410,658	\$1,410,658
164 Furniture, Equipment & Machinery - Administration	\$137,566			\$106,965		\$159,119			\$403,650	\$403,650
165 Leasehold Improvements	\$1,970,928			\$2,778,806		\$281,151			\$5,030,885	\$5,030,885
166 Accumulated Depreciation	\$-5,472,374			\$-6,654,473		\$-3,088,962	\$-71,043	\$-611,730	\$-15,696,582	\$-15,696,582
167 Construction in Progress	\$126,682					\$69,576			\$196,258	\$196,258
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,860,531	\$0	\$0	\$37,256,562	\$0	\$7,195,194	\$342,968	\$958,483	\$47,613,738	\$47,613,738
171 Notes, Loans and Mortgages Receivable - Non-Current						\$395,396			\$395,396	\$395,396

HA City of Walla Walla (WA057)
WALLA WALLA, WA
Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/Single Audit										
Fiscal Year End: 12/31/2015										
	Project Total	97.024 Emergency Food and Shelter National Board Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	14.239 HOME Investment Partnerships Program	2 State/Local	14.228 Community Development Block Grants/State's Program	64.024 VA Homeless Providers Grant and Per Diem Program	Subtotal	Total
70300 Net Tenant Rental Revenue	\$332,124			\$1,512,878		\$807,723			\$2,652,725	\$2,652,725
70400 Tenant Revenue - Other	\$16,805			\$35,848		\$191,811			\$244,464	\$244,464
70500 Total Tenant Revenue	\$348,929	\$0	\$0	\$1,548,726	\$0	\$999,534	\$0	\$0	\$2,897,189	\$2,897,189
70600 HUD PHA Operating Grants	\$309,865		\$4,662,550						\$4,972,415	\$4,972,415
70610 Capital Grants						\$7,000			\$7,000	\$7,000
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue										
70800 Other Government Grants		\$6,000			\$123,343	\$46,697		\$286,512	\$462,552	\$462,552
71100 Investment Income - Unrestricted	\$107			\$50		\$9,955			\$10,112	\$10,112
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery			\$22,818		\$83				\$23,401	\$23,401
71500 Other Revenue	\$1		\$593	\$145,593	\$7,243	\$1,268,980	\$21,600	\$3,600	\$1,447,610	\$1,447,610
71600 Gain or Loss on Sale of Capital Assets	\$53			\$29,105		\$44,910			\$15,752	\$15,752
72000 Investment Income - Restricted				\$1,177		\$405		\$28	\$1,610	\$1,610
70000 Total Revenue	\$658,955	\$6,000	\$4,685,961	\$1,724,651	\$131,169	\$2,287,661	\$21,600	\$290,140	\$9,806,137	\$9,806,137
91100 Administrative Salaries	\$83,609		\$422,616	\$87,810	\$5,550	\$258,567	\$1,524	\$6,538	\$866,214	\$866,214
91200 Auditing Fees	\$1,879		\$17,126	\$48,510		\$13,459	\$108		\$81,082	\$81,082
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing	\$183		\$1,625	\$31,384	\$44	\$1,150	\$11		\$34,397	\$34,397
91500 Employee Benefit contributions - Administrative	\$18,482		\$96,623		\$1,054	\$76,939	\$327	\$1,269	\$194,694	\$194,694
91600 Office Expenses	\$10,090		\$88,893	\$27,923	\$1,311	\$45,154	\$531	\$269	\$174,171	\$174,171
91700 Legal Expense	\$4,890					\$6,542			\$11,432	\$11,432
91800 Travel	\$2,210		\$12,718	\$54	\$351	\$5,016	\$77		\$20,426	\$20,426
91810 Allocated Overhead										
91900 Other				\$227,072		\$68,506			\$295,578	\$295,578
91000 Total Operating - Administrative	\$121,343	\$0	\$639,601	\$422,753	\$8,310	\$475,333	\$2,578	\$8,076	\$1,677,994	\$1,677,994
92000 Asset Management Fee										
92100 Tenant Services - Salaries										
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										

92400 Tenant Services - Other	\$228			\$4,318		\$9,691		\$14,237		\$14,237
92500 Total Tenant Services	\$228			\$4,318		\$9,691		\$14,237		\$14,237
93100 Water	\$40,532			\$98,706		\$41,280	\$1,352	\$5,332		\$189,260
93200 Electricity	\$2,852			\$31,779		\$55,456	\$36	\$95,880		\$95,880
93300 Gas	\$373			\$3,647		\$3,074	\$690	\$10,194		\$10,194
93400 Fuel										
93500 Labor										
93600 Sewer	\$42,479			\$153,800		\$136,458	\$1,449	\$5,057		\$343,473
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93900 Total Utilities	\$86,236	\$0	\$14,073	\$287,932	\$382	\$236,266	\$3,527	\$10,389		\$638,807
94100 Ordinary Maintenance and Operations - Labor	\$125,909			\$321,545		\$486,875	\$2,520	\$4,256		\$941,105
94200 Ordinary Maintenance and Operations - Materials and Other	\$20,339			\$52,855	\$18	\$55,574	\$418	\$1,392		\$131,540
94300 Ordinary Maintenance and Operations Contracts	\$58,534			\$213,742	\$203	\$142,562	\$783	\$13,926		\$497,340
94500 Employee Benefit Contributions - Ordinary Maintenance	\$35,753					\$122,525	\$701	\$1,235		\$160,214
94600 Total Maintenance	\$240,535	\$0	\$8,534	\$588,142	\$221	\$507,536	\$4,422	\$20,809		\$1,070,199
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95600 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$20,967			\$61,819		\$36,475	\$1,090	\$2,589		\$122,940
96120 Liability Insurance				\$12,008	\$499					\$12,507
96130 Workmen's Compensation										
96140 All Other Insurance										
96100 Total Insurance Premiums	\$20,967	\$0	\$12,008	\$61,819	\$499	\$36,475	\$1,090	\$2,589		\$135,447
96200 Other General Expenses		\$6,000	\$23,504	\$27,315	\$377	-\$42,730		\$224,945		\$239,411
96210 Compensated Absences						\$11,396		\$11,396		\$11,396
96300 Payments in Lieu of Taxes	\$1,455							\$1,455		\$1,455
96400 Bad debt - Tenant Rents	\$9,672			\$11,518		\$9,075		\$30,265		\$30,265
96500 Bad debt - Mortgages										
96600 Bad debt - Other								\$2,383		\$2,383
96800 Severance Expense										
96900 Total Other General Expenses	\$11,127	\$6,000	\$25,887	\$38,833	\$377	-\$22,259	\$0	\$224,945		\$284,910
96710 Interest of Mortgage (or Bonds) Payable				\$451,275		\$179,072	\$4,232	\$5,301		\$639,880
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$451,275	\$0	\$179,072	\$4,232	\$5,301		\$639,880
96900 Total Operating Expenses	\$480,436	\$6,000	\$700,103	\$1,865,072	\$9,789	\$1,722,116	\$15,849	\$272,109		\$5,061,474
97000 Excess of Operating Revenue over Operating Expenses	\$178,519	\$0	\$3,985,868	-\$130,421	\$121,380	\$665,545	\$5,751	\$18,031		\$4,744,663
97100 Extraordinary Maintenance										

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name: Housing Authority of the City of Walla Walla	Modernization Project Number: WA19P05750113
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The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	\$ 134,911
B. Funds Disbursed	\$ 134,911
C. Funds Expended (Actual Modernization Cost)	\$ 134,911
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Renee Rooker, Executive Director

Signature of Executive Director (or Authorized Designee):

X



Date:

08/24/2015

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X



Date:

09-01-2015

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

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Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:	Modernization Project Number:
Housing Authority of the City of Walla Walla	WA19P05750114

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	\$ 152,359.00
B. Funds Disbursed	\$ 152,359.00
C. Funds Expended (Actual Modernization Cost)	\$ 152,359.00
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

- ☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.
- ☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Signature of Executive Director (or Authorized Designee): X <i>[Signature]</i>	Date: 05/10/2016
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For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing) X <i>[Signature]</i>	Date: 05.11.2016
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The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing) X	Date:
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form HUD-53001 (10/96)
ref Handbooks 7405.1 & 3

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov